

**QUESTION AND ANSWER**  
**GOP Transportation Funding Plan**  
**HB 2894**

**Q. What are the benefits of the Republican transportation funding package?**

**A:**

- ▶ The Republican transportation funding plan cuts the car tax people pay when they buy their license tabs by \$30 per year. Car owners are still responsible for the license renewal fee that costs \$23.75.
- ▶ This funding approach moves revenue generated by car taxes from the general fund to transportation. People are under the impression that when they pay for their license tabs that money is helping to improve roads. Currently, 30 percent of car tax revenues are spent on general government services. This package changes that and makes revenues from the car tax dedicated to transportation purposes — fixing roads, highways and bridges. This shift also provides the resources to finance transportation construction projects worth \$2.4 billion without needlessly raising taxes.
- ▶ Finally, the plan protects programs supported by the general fund, including education and other vital services. This plan has the same impact on education as the governor's gas tax proposal and neither plan changes education funding levels.

**Q. What is the focus of this discussion?**

**A.** The governor focused this debate around the gas tax. This discussion is not about whether or not to raise the gas tax. This is a debate about whether or not we want to fix our roads. It makes little sense to raise the gas tax when the state is sitting on a surplus of more than \$800 million.

**Q. Why not raise the gas tax to help fund transportation needs?**

**A.** With the state sitting on a budget surplus of more than \$800 million, it's nearly impossible to make a credible case with the public that the state needs to raise taxes for transportation purposes. Why raise the gas tax when we can use existing revenues to finance the \$2.4 billion transportation construction package? People already pay 41 cents a gallon in gas taxes and the governor wants to raise that to 52 cents. This package funds transportation to the same level as the governor — \$2.4 billion — using existing revenues and without raising taxes.

**Q. Are bonds used in this package?**

**A.** Both the Republican package and the Governor's gas tax proposal use revenue bonds to help finance the five-year transportation package.

**Q. How did the governor's plan differ from the Republican plan?**

**A.** The Governor was relying on a 11 cent increase in the gas tax. Under his proposal, state and

federal gas taxes would total 52 cents. The Republican plan doesn't raise taxes.

**Q. What are the main components of the Republican transportation package?**

**A:**

- ▶ Moves Motor Vehicle Excise Tax (MVET) revenue from the general fund, where it funds general government services, to the transportation budget.
- ▶ Provides enough money to finance \$2.4 billion in transportation projects.
- ▶ Includes a \$30 per-year cut in the car tax people pay when they buy their license tabs, beginning in July 1999.
- ▶ Provides more money for local governments to fight crime.
- ▶ Protects programs supported by the general fund, including education and other vital services.
- ▶ Requires voter approval in November, 1998.

**Q. What is the impact on local governments?**

**A.** Local governments currently receive funds from car tax revenues to help fund local criminal justice programs. Over the years, cities and counties have asked for more money for this program. However, a cap on the current funding formula has limited the level of support. The proposed transportation package shifts funding responsibility from car tax revenues (the MVET fund) to the state's general fund. The revenue distribution will increase by 10 percent in 2000, and it provides annual increases after that based on population and inflation growth. The plan also provides additional money for juvenile justice in distressed counties and sales tax equalization money to cities without a large retail sales tax base.

**Q. How does the Republican plan impact Initiative 601?**

**A.** The package re-enacts Initiative 601, the state's spending limit law. The proposal asks voters to allow the transfer of car tax revenue (the MVET fund) for transportation purposes and the criminal justice money transfer to the general fund without impacting the spending lid.

<b>Transportation Plan Components</b>	<b>Governor's Transportation Plan</b>	<b>Legislative Transportation Plan HB 2894</b>
<b>Funding Package</b>	<b>\$2.4 billion / 5 years</b>	<b>\$2.4 billion / 5 years</b>
<b>License Tabs Tax Cut</b>	<b>\$30 per car</b>	<b>\$30 per car</b>
<b>Gas Tax Increase</b>	<b>5 cents / 11 cents after 5 years</b>	<b>No tax increase</b>
<b>Indexes gas tax to population and inflation growth</b>	<b>Yes / Increases gas tax by 1 cent per year</b>	<b>No indexing</b>
<b>Uses bonds to fund package</b>	<b>Yes / \$1.6 billion for 25 years</b>	<b>Yes / up to \$1.9 billion for 25 years</b>
<b>Voter approval</b>	<b>No</b>	<b>Yes, November 1998</b>

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